



**TESTIMONY**  
of the  
**CONNECTICUT CONFERENCE OF MUNICIPALITIES**  
to the  
**INSURANCE & REAL ESTATE COMMITTEE**

February 24, 2011

CCM is Connecticut's statewide association of towns and cities and the voice of local government - your partners in governing Connecticut. Our members represent over 93% of Connecticut's population. We appreciate this opportunity to provide testimony to you on issues of concern to towns and cities.

**HB 6365** "An Act Concerning Insurance for Municipalities"

HB 6365 would, among other things, mandate that towns and cities conduct a competitive bidding process each time they renew their insurance policies.

CCM is **opposed to HB 6365** as a new state mandate on municipalities – and is unaware of any statewide need for such an onerous requirement.

HB 6365 would place an unnecessary burden on municipalities to bid their insurances annually. Such a mandate would add considerable expenses to towns and cities to rebid insurance. HB 6365 would also impede and obstruct the implementation and execution of multi-year risk management plans directed at reducing losses -- which has the greatest impact on reducing or mitigating the total cost of risk for any entity.

Another negative impact on municipalities is that HB 6365 would emphasize "price" as the sole criteria and rationale for insurance selection which, simply put -- would not be prudent public policy. Over the last two decades (and most recently with MIRMA) we have seen at least a dozen insurers come into the public entity property and casualty insurance market place with depressed and inadequate pricing (for the sole purpose of gaining market share) -- to then either voluntarily leave the market (because they inadequately priced the risk), or go insolvent for the same reason (Reliance, Kemper and Legion Insurance Cos). As a result, many municipalities are left with extreme volatility in pricing, availability and coverage -- and in some cases municipalities had to pay additional premium assessments or were exposed and required to pay claim costs if the insurer became insolvent and the value of the claims exceeded the financial back-stops of the Guarantee Funds.

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The long-term impact of HB 6365 would be that commercial insurers will lose interest in the public entity market and there will be less competition for public entity business in Connecticut thus, de-valuing risk management and driving up the costs of doing business.

**CCM urges the committee to oppose HB 6365.**

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For questions regarding this testimony, please contact Bob Labanara of CCM at [rlabanara@ccm-ct.org](mailto:rlabanara@ccm-ct.org).